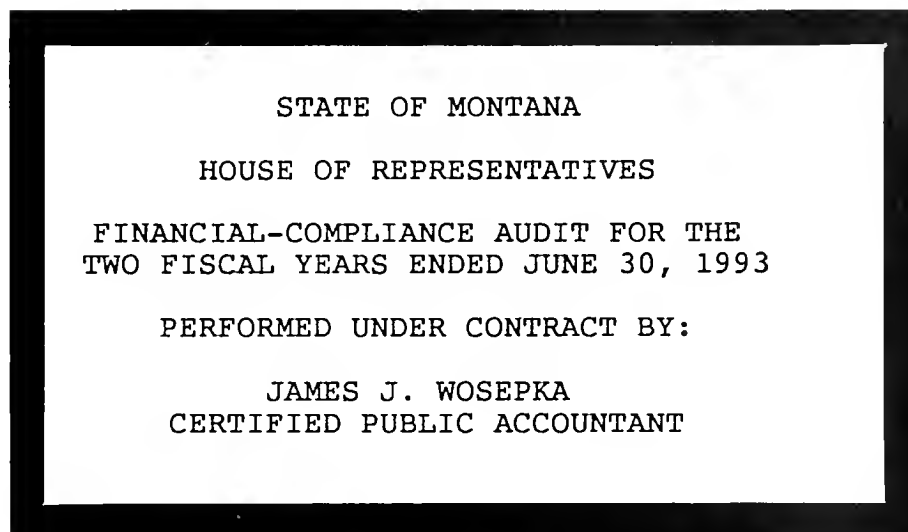


S
351.7232 Wosepka, James J
172hr State of
1993 Montana, House of
Representatives,
financial-
compliance audit
for the two fiscal



STATE DOCUMENTS COLLECTION

MAR 2 1994

MONTANA STATE LIBRARY
1515 E. 6th AVE.
HELENA, MONTANA 59620



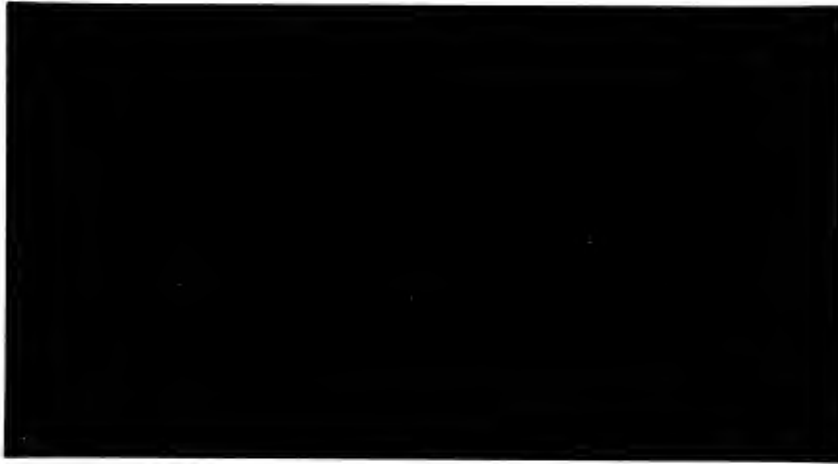
OFFICE OF THE LEGISLATIVE AUDITOR

STATE OF MONTANA
STATE CAPITOL • HELENA

MONTANA STATE LIBRARY
S 351.7232 L72hr 1993 c.1 Wosepka
State of Montana, House of Representativ



3 0864 00088615 3



STATE OF MONTANA

HOUSE OF REPRESENTATIVES

FINANCIAL-COMPLIANCE AUDIT FOR THE
TWO FISCAL YEARS ENDED JUNE 30, 1993

PERFORMED UNDER CONTRACT BY:

JAMES J. WOSEPKA
CERTIFIED PUBLIC ACCOUNTANT

STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122



LEGISLATIVE AUDITOR:
SCOTT A. SEACAT

LEGAL COUNSEL:
JOHN W. NORTHEY

DEPUTY LEGISLATIVE AUDITORS:

MARY BRYSON
Operations and EDP Audit

JAMES GILLET
Financial-Compliance Audit

JIM PELLEGRINI
Performance Audit

November 1993

The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the audit of the Legislative Assembly-
House for the two fiscal years ended June 30, 1993.

The audit was conducted by James J. Wosepka, CPA, under a contract
between the firm and our office. The comments and recommendations
contained in this report represent the views of the firm and not
necessarily the Legislative Auditor.

The agency's written response to the report recommendations is
included in the back of the audit report.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Scott A. Seacat".
Scott A. Seacat
Legislative Auditor

TABLE OF CONTENTS

	<u>PAGE</u>
Officers and Officials	ii
Introduction	1
Background	1
Internal Control	1-2
Prior Audit Recommendations	2
Current Audit Recommendations	2
State Compliance	2
Auditor's Report	3
Schedule of Changes in Fund Balance for the Two Fiscal Years Ended June 30, 1993	4-5
Schedule of Program Expenditures by Object for the Two Fiscal Year Ended June 30, 1993	6
Notes to the Financial Schedules	7-8
Agency Responses	9

OFFICERS AND OFFICIALS
HOUSE OF REPRESENTATIVES

52ND LEGISLATIVE

Speaker
Speaker Pro Tempore
Chief Clerk
Sergeant-at-Arms

Hal Harper
Dave Brown
Joyce Andrus
Margaret Regan

53RD LEGISLATURE

Speaker
Speaker Pro Tempore
Chief Clerk
Sergeant-at-Arms

John Mercer
Marian Hanson
Marilyn Miller
Kathy Meadors

INTRODUCTION

I performed a financial-compliance audit of the House of Representatives for the two fiscal years ended June 30, 1993. The objectives of the audit were to: (1) determine if the financial schedules present fairly the Office's results of operations for the two fiscal years ended June 30, 1993; (2) determine if the Office complied with applicable laws and regulations; and (3) make recommendations for improvement in the management and internal controls of the Office.

I thank the staff of the House and Legislative Council for their cooperation and assistance during my audit.

BACKGROUND

Article V of the Montana Constitution of 1972, vests legislative power in a legislature comprised of the Senate and a House of Representatives. The Legislature is required to meet in a regular session of not more than 90 days each odd-numbered year. Special sessions may be convened by the Governor or upon written request of a majority of the members.

INTERNAL CONTROL

I have examined the financial schedules of the House of Representatives for the two fiscal years ended June 30, 1993. I issued my opinion dated September 24, 1993 on these schedules. As part of my examination, I made a study and evaluation of the Council's control system. My study evaluated the system as required by generally accepted governmental auditing standards for financial compliance audits. I classified the controls in the following categories:

1. Expenditures/liabilities;
2. Property, plant, and equipment; and
3. Payroll.

My study included the control categories listed above. I applied alternative audit tests to property, plant, and equipment as I determined it was more efficient to expand substantive testing for this area. Through my study, I determined the nature, timing, and extent of my auditing procedures. I did not evaluate the control system to the extent necessary to give an opinion on either individual segments or system as a whole.

The management of the House of Representatives is responsible for establishing and maintaining a system of accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related cost of control procedures. The objectives of a system are to provide management with reasonable assurance that: (1) assets are

INTERNAL CONTROL (CONT.)

safeguarded against loss from unauthorized use or disposition; (2) transactions are executed in accordance with management's authorization; and (3) transactions are recorded properly to permit the preparation of financial schedules in accordance with state accounting policies. Inherent limitations in any system of controls may cause errors or irregularities to remain undetected. The current system evaluation should not be used to project to future periods since the procedures may become inadequate or compliance with them may deteriorate.

The limited purpose of my study described in the first paragraph would not necessarily disclose all material weakness in the system. Accordingly, I do not express an opinion on the system of controls used by the House of Representatives.

This report is intended solely for the use of management and the Legislature and should not be used for any other purpose. This restriction as to use is not intended to limit the distribution of the document which, upon presentation to the Legislative Audit Committee, is a matter of public record.

PRIOR AUDIT RECOMMENDATIONS

The House of Representatives was last audited for the fiscal years ending June 30, 1990 and 1991, under contract through the office of the Legislative Auditor. No audit recommendations were made.

CURRENT AUDIT RECOMMENDATIONS

None

STATE COMPLIANCE

I reviewed compliance with state laws that could have a material impact on the financial schedules of the House of Representatives. In my opinion, the House of Representatives complied with the state laws and regulations tested. Nothing came to my attention that causes me to believe untested compliance issues are not in accordance with applicable laws and regulations.

INDEPENDENT AUDITOR'S REPORT
AND SCHEDULES OF AGENCY FINANCIAL ACTIVITY

JAMES J. WOSEPKA

CERTIFIED PUBLIC ACCOUNTANT
41 CENTRAL AVE. SOUTH
P.O. Box 970 • BEACH, ND 58621
(701) 872-4321

113 SOUTH MAIN
P.O. Box 602 • BAKER, MT 59313
(406) 778-2816

40 1ST AVE WEST
P.O. Box 249 • DICKINSON, ND 58601
(701) 225-1172

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
Of the Montana State Legislature:

I have audited the financial schedules of the House of Representatives for each of the two fiscal years ended June 30, 1992 and 1993, as listed in the table of contents. These financial schedules are the responsibility of the office's management. My responsibility is to express an opinion on these financial schedules based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the management, as well as evaluating the overall financial schedule presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1 to the financial schedules, the office's financial schedules are prepared in accordance with state accounting policy and are not intended to be a presentation in conformity with generally accepted accounting principles.

In my opinion, the financial schedules referred to in paragraph one present fairly, in all material respects, the results of operations and changes in fund balances of the House of Representatives for each of the two fiscal years ended June 30, 1992 and 1993, in conformity with the basis of accounting described in Note 1.

Baker, Montana
September 24, 1993



LEGISLATURE-HOUSE
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 1992

	<u>General Fund</u>
FUND BALANCE: July 1, 1991	\$ <u>0</u>
ADDITIONS	
Prior Year Expenditure Adjustments	
Support From State of Montana	<u>489,515</u>
Total Additions	<u>489,515</u>
REDUCTIONS	
Budgeted Expenditures & Transfers Out	489,355
Prior Year Expenditures	(157)
Direct Entries to Fund Balance	<u>317</u>
Total Reductions	<u>489,515</u>
FUND BALANCE: June 30, 1992	\$ <u><u>0</u></u>

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 7 and 8.

LEGISLATURE-HOUSE
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 1993

	<u>General Funds</u>
FUND BALANCE: July 1, 1992	\$ _____ 0
ADDITIONS	
Prior Year Expenditure Adjustments	
Direct Entries to Fund Balance	1,865
Support From State of Montana	<u>2,404,796</u>
Total Additions	<u>2,406,661</u>
REDUCTIONS	
Budgeted Expenditures & Transfers Out	2,406,869
Prior Year Expenditures	(<u>208</u>)
Total Reductions	<u>2,406,661</u>
FUND BALANCE: June 30, 1993	\$ <u>_____ 0</u>

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 7 and 8.

LEGISLATURE-HOUSE
SCHEDULE OF PROGRAM EXPENDITURES BY OBJECT AND FUND BUDGET AND ACTUAL
FOR THE FISCAL YEARS ENDED JUNE 30, 1993

	<u>1992</u>	<u>1993</u>
PERSONAL SERVICES		
Salaries	\$ 124,852	\$ 1,172,936
Other Compensation	58,800	607,250
Employee Benefits	<u>244,389</u>	<u>421,533</u>
Total	<u>428,041</u>	<u>2,201,719</u>
OPERATING EXPENSES		
Other Services	3,122	42,792
Supplies & Materials	1,758	20,577
Communications	905	8,303
Travel	29,926	72,860
Rent	850	3,444
Repair & Maintenance	4,747	13,288
Other Expenses	<u>323</u>	<u>276</u>
Total	<u>41,631</u>	<u>161,540</u>
EQUIPMENT AND INTANGIBLE ASSETS		
Equipment	18,186	43,610
Intangible Assets	<u>1,497</u>	<u> </u>
Total	<u>19,683</u>	<u>43,610</u>
TOTAL PROGRAM EXPENDITURES	\$ <u>489,355</u>	\$ <u>2,406,869</u>
SPECIAL REVENUE FUND		
Budgeted	\$ 721,820	\$ 2,996,256
Actual	<u>489,355</u>	<u>2,406,869</u>
Unspent Budget Authority	\$ <u>232,465</u>	\$ <u>589,387</u>

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 7 and 8.

HOUSE OF REPRESENTATIVES

NOTES TO THE FINANCIAL SCHEDULES JUNE 30, 1992 AND 1993

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The House of Representatives utilizes the modified accrual basis of accounting which is described in the Montana Operations Manual.

Under the modified accrual basis of accounting, a valid obligation exists when the related liability is incurred including for the following items which are also considered valid obligations under state accounting policy.

- If the appropriation provided funds to complete a given project, the entire amount of a service contract may be accrued even though the services are rendered in fiscal expenditure is accrued.
- The anticipated cost of equipment is expensed in the fiscal year in which budgeted.
- Goods ordered, but not received as of the fiscal year-end, may be accrued if the purchase order was issued in the fiscal year in which the anticipated expenditure is to be accrued.

Basis of Presentation

The financial schedules were prepared from Statewide Budgeting and Accounting System (SBAS) without adjustments. Accounts are organized on the basis of funds according to State law. The following fund types are used by the office:

General - accounts for all financial resources except those required to be accounted for in another fund.

Vacation and Sick Leave

Employees and members of the House of Representatives are not eligible for vacation and sick leave, as they are not permanent employees. They were instead paid an additional 20 cents per hour in lieu of benefits.

HOUSE OF REPRESENTATIVES

NOTES TO THE FINANCIAL SCHEDULES (CONT.) JUNE 30, 1992 AND 1993

2. PENSION PLAN

Employees are covered by Montana Public Employees' Retirement System (PERS). The House's contributions to the plan are shown below:

Fiscal Year	Fiscal Year
<u>1992</u>	<u>1993</u>
\$ 27,814	\$ 83,196

Legislatures may elect at anytime to be covered under the public retirement system. The State has a potential liability for the State's share of the retirement fund contribution. Such liability has not been recorded.

3. GENERAL FUND BALANCE

The General Fund is a Statewide Fund. Agencies do not have a separate General Fund since their only authority is to pay obligations from the Statewide General Fund as long as they stay within their appropriation limits. Thus, on an agency schedule, the General Fund beginning and ending fund balance will always be zero.

AGENCY RESPONSES



Senate Members
DELWYN GAGE
CHAIRMAN
GARY C. AKLESTAD
MIKE HALLIGAN
J.D. LYNCH

House Members
RED MENAHAN
VICE CHAIRMAN
ERVIN DAVIS
H.S. "SONNY" HANSON
NORM WALLIN

Montana Legislative Council

Office of the Executive Director

Room 138 • State Capitol
Helena, Montana 59620-1706
(406) 444-3064
FAX (406) 444-3036

Executive Director
ROBERT B. PERSON

October 18, 1993

Mr. James J. Wosepka, CPA
P.O. Box 602
Baker, Montana 59313

RE: Montana State House of Representatives Audit Response

Dear Mr. Wosepka:

I have reviewed the draft audit report for the Montana State House of Representatives submitted to me with your request for a response. I am pleased that once again you have found it unnecessary to make recommendations.

It takes the dedication and cooperation of a number of people to make a good audit report possible. Particular credit goes to Amy Clark and Brad Sanders whose day-to-day attention to the details and dedication to accounting propriety are indispensable. Credit is due as well as to Marilyn Miller, Chief Clerk of the House, and Kathy Meadors, Sergeant-at-Arms, without whose cooperation successful financial management would be impossible.

It has been a pleasure working with you.

Sincerely,

A handwritten signature in cursive script, appearing to read "Robert B. Person".

Robert B. Person
Executive Director

epg 3291rpxd.

